
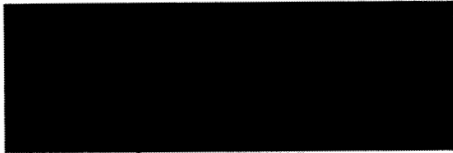


No protest received.  5/1/93

Internal Revenue Service

District  
Director



Department of the Treasury

P.O. Box 2508  
Cincinnati, OH 45201

Person to Contact:

Telephone Number:

Refer Reply to:  
EP/EO

Employer Identification Number:

Date: MAR 30 1993

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(7) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations. Based on the available information, we have determined that you do not qualify for the reasons set forth on Enclosure I.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1120 if you are a corporation or an unincorporated association.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of

1-2393

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3/3/93

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[REDACTED]

attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

[REDACTED]

District Director

Enclosures: 3

Enclosure I  
Reasons for Proposed Adverse Determination

[REDACTED]

You were formed as stated in your Constitution [REDACTED]. Your stated purposes are:

To stimulate public awareness of Bass fishing as a major sport. To offer our state conservation department our organized moral and political support and encouragement. To promote full adherence to all conservation codes and to demand adequate water standards. To detect and report any polluter and call public attention to his crime. To improve our skills as Bass Anglers through a fellowship of friendly exchange of expert Bass catching techniques and ideas, and to promote and encourage youth fishing, and a love for this great recreation. To function as a dynamic and effective link with other chapters embracing the principles and purpose of [REDACTED].

To become a chapter member, a person shall:

- (a) voluntarily express a genuine interest in membership
- (b) Be a member of [REDACTED].
- (c) Be recommended by two members at a regular monthly meeting.
- (d) Be voted on by membership.
- (e) Be 16 years of age

Your activities consist of meetings for members of the organization, fishing tournaments, participating in sport and fishing shows, and participation in a fish structure project with the Department of Conservation. In your response received [REDACTED] you stated your schedule of activities for [REDACTED] included the following:

[REDACTED] Expo  
[REDACTED] and Fishing Show  
[REDACTED] Fish Structure Project  
[REDACTED] Fishing Show  
[REDACTED] Walleye Tournament

You stated at the fishing shows and expos your members conducted fishing seminars, educated the public in boat safety and conservation. In your response you provided "the club has a total of eleven events that are voluntary activities for the benefit of the public. The club also has a two day event for the benefit of the environment through the DNR. That is a total of thirteen events outside of the club."

Enclosure I  
Reasons for Proposed Adverse Determination  
(cont. 2)

[REDACTED]

In addition, you also conduct activities which are restricted to members only. You stated for [REDACTED] the club has a total of [REDACTED] (■) club meetings, a total of [REDACTED] (■) club tournaments for a total of [REDACTED] (■) one day events for members only.

Your income is from membership fees, fishing tournament sponsors and raffles. Membership fees are \$[REDACTED] for each member. In [REDACTED] your income consisted of \$[REDACTED] membership dues and \$[REDACTED] from your sponsors. Accordingly, more than [REDACTED] percent of your income was from nonmembers. Your proposed budgets for [REDACTED] consists of \$[REDACTED] membership dues, raffle income of \$[REDACTED] and \$[REDACTED] from sponsors. Your percentage of nonmember income for [REDACTED] is [REDACTED] percent.

The expenses of your organization consist of payment of dues to affiliated organization, costs relating to the printing of your newsletter, tournament trophies, as well as items relating to your fishing tournaments and shows.

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

As previously noted, section 501(c)(7) of the Code requires that substantially all of a social club's activities be social or recreational activities for members. However, Public law 94-568, 1976-2 C.B. 596, provides that a social club may receive up to 35 percent of its gross receipts, including investment income from sources outside its membership without losing exemption. Within this 35 percent amount, not more than 15 percent of the gross receipts should be from the use of the social club's facilities or services by the general public. This means that an exempt social club may receive up to 35 percent of its gross receipts from a combination of investment income and receipts from nonmembers so long as the latter do not represent more than 15 percent of the total receipts. If the 35 percent and /or the 15 percent limitations are exceeded, a club may still be able to show through the facts and circumstances that "substantially all" of its activities are for "pleasure, recreation, and other nonprofitable purposes."

Section 1.501(c)(7)-1(b) of the Regulations states that a club which engages in business, such as making its social and recreational facilities available to the general public or by selling real estate, timber, or other products, is not organized and operated exclusively for pleasure, recreation and other nonprofitable purposes, and is not exempt under section 501(a) of the Code. Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie

Enclosure I  
Reasons for Proposed Adverse Determination  
(cont. 3)

[REDACTED]

evidence that the club is engaging in business and is not being operated exclusively for pleasure, recreation, or social purposes. However, an incidental sale of property will not deprive a club of its exemption.

In Pittsburgh Press Club vs. United States, 536 F. 572 (1976); 579 F. 2d 751 (1978) and 615 F. 2d 600 (1980) the court agreed and held that the amount of the club's nonmember income, which the court determined to be between 11-17 percent of gross income, indicated that the club was engaged in business with the general public and revocation was proper.

Accordingly, since your percentage of nonmember income well exceeds 15 percent, you are similar to the organization described in section Pittsburgh Press Club v. United States. A consideration of the facts and circumstances test was given and it was determined that you do not meet the test. This determination was based on the high percentage of nonmember income and the fact that you expect to receive a substantial percentage of nonmember income in the future.

Therefore, we determined you do not qualify for exemption as an organization described in section 501(c)(7) of the Code.

Furthermore, we considered whether or not you may qualify as an organization described in section 501(c)(4) and have determined you do not.

Section 501(c)(4) of the Code provides, in part, for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Lake Petersburg Association v. Commissioner, 33 CCH Tax Ct. Mem. 259 (1974) An organization was formed to construct a lake community in which it leased lots to members. The court concluded that the organization directly benefited only those people who were members and who therefore could enjoy the facilities and environment that the lake provided and that the benefit to the local area to be indirect and remote. Therefore, the organization did not qualify for exemption under section 501(c)(4).

You are not organized exclusively for the promotion of social welfare since your activities are primarily for the benefit of your members. Even though many of your activities do benefit the community the amount of time you devote to activities for the general public is insubstantial. You stated participation in the fishing shows and expositions is voluntary and it does not appear to be the primary purpose of your organization to benefit the community.

Accordingly, we have concluded you do not qualify for exemption as an organization described in section 501(c)(4) of the Code.

Form **6018**  
(Rev. August 1983)

Department of the Treasury-Internal Revenue Service  
**Consent to Proposed Adverse Action**  
(All references are to the Internal Revenue Code)

Prepare in  
Duplicate

Case Number

Date of Latest Determination Letter

Employer Identification Number

Date of Proposed Adverse Action Letter

**MAR 30 1993**

Name and Address of Organization

I consent to the proposed adverse action relative to the above organization as shown by the box(es) checked below. I understand that if Section 7428, Declaratory Judgments Relating to Status and Classification of Organizations under Section 501(c)(3), etc. applies, I have the right to protest the proposed adverse action.

**NATURE OF ADVERSE ACTION**

- ☒ Denial of exemption
- ☐ Revocation of exemption, effective
- ☐ Modification of exempt status from section 501(c)( ) to 501(c)( ), effective
- ☐ Classification as a private foundation (section 509(a)), effective
- ☐ Classification as a non-operating foundation (section 4942(j)(3)), effective
- ☐ Classification as an organization described in section 509(a)( ), effective
- ☐ Classification as an organization described in section 170(b)(1)(A)( ), effective

If you agree to the adverse action shown above, please sign and return this consent. You should keep a copy for your records.

If you sign this consent before you have exhausted your administrative appeal rights, you may lose your rights to a declaratory judgment under section 7428.

*(Signature instructions are on the back of this form.)*

Name of Organization

Signature and Title

Date

Signature and Title

Date